



Local Government Investment Pool

TheNEWS

A Closer Look at Liquidity

Public investors are very familiar with the mantra of safety, liquidity and yield. While the concepts of safety and yield are straightforward to comprehend, what does it mean to be “liquid”? The simplest definition of liquidity is the degree that a security can be bought or sold without affecting the price.

The first gauge of liquidity is how often a security trades in the market. For this reason, U.S. Treasury Bills, Notes and Bonds are considered among the most liquid investments. On any given day in the market billions of Treasury securities are bought and sold. You can quickly trade a Treasury security with a narrow spread between the bid (purchase) and offer (sale) price. The large volume of Treasuries traded in conjunction with the narrow bid and offer price is telling. Under these conditions, you can be fairly certain that you are receiving the fair market value on your trade.

While safety of principal will always be TrustINDiana’s primary objective, the ability to quickly convert securities to cash at a fair market value is of vital importance as well. As we evaluate prudent investment options away from the Treasury market, liquidity must not be taken for granted. Imagine the difficulty in valuing a security that trades sporadically in very low volume. Without an observable market, estimating a fair price boils down to an intrinsic value estimate which is subject to wide variances among market participants. Or to reference the prior Treasury market example, a wide bid and offer spread.

The commercial paper market is a prime example of where liquidity considerations are paramount in maintaining a prudent investment portfolio for public funds. In addition to requiring the highest credit rating from Standard and Poor’s and Moody’s, TrustINDiana only purchases commercial paper that has a minimum program size of one billion dollars. The TrustINDiana investment policy also mandates that its portfolio may not own over 5% of any issuer’s total commercial paper program. The purpose of these policies is to ensure proper liquidity in TrustINDiana’s investments.

Although a commercial paper program may carry the highest credit rating from Standard and Poor’s and Moody’s, a failure to acknowledge liquidity risks may have unintended consequences. The same liquidity premium that enhances yield and entices an investor to purchase smaller commercial paper programs can come back to haunt you. If you suddenly find yourself needing to sell that same security, the next buyer may require an even larger liquidity premium, potentially causing a loss on your investment.

As always, TrustINDiana objectives remain safety, liquidity and then yield. Hopefully we have shed a little light on why liquidity is a critical component of a sound investment program.

All comments and discussion presented are purely based on opinion and assumptions, not fact, and these assumptions may or may not be correct based on foreseen and unforeseen events. The information above is not a recommendation to buy, sell, implement or change any securities or investment strategy, function or process. Any financial and/or investment decision should be made only after considerable research, consideration and involvement with an experienced professional engaged for the specific purpose. Of course past performance is not an indication of future performance. Any financial and/or investment decision may incur losses.





TheECONOMY

Rebound Ahead?

The U.S. economy continues to wobble along, shrinking at a 0.7 percent annualized rate during the first quarter. Some of the headwinds, such as the harsh winter weather and disruptions at the west coast ports, are clearly behind us. What remains, is a stronger dollar that dampens net exports and a consumer that appears content to pocket rather than spend the savings derived from lower fuel prices. Recent comments from the Federal Reserve (Fed) reflect optimism that the economy will rebound in the second quarter, although not as strongly as last year.

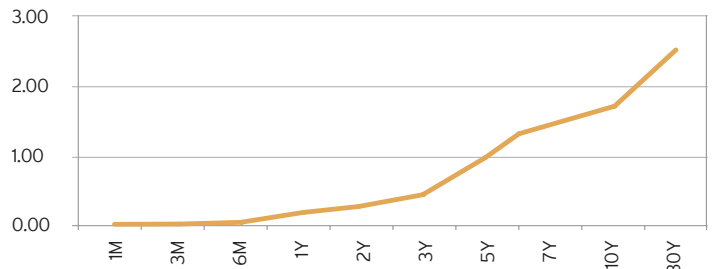
The Fed has expressed a desire to normalize interest rates in the near future, focusing solely on the underlying economic data to guide its decisions. However, with the economy growing in fits and spurts any increase to the federal funds target rate is likely to be slow and gradual, rather than a "lift off" akin to a rocket launching into space. As for the timing of the first rate hike, the Fed has not taken June off the table. Given the sluggish economic backdrop, the market is not pricing an increase until later this year.

On a positive note, the housing market has shown surprising signs of life as of late. Typically the housing market springs to life early in an economic cycle, as the low interest rates that coincide with the start of a recovery supports affordability. Tighter credit conditions and falling home prices stemming from the global financial crisis may have delayed the rebound in housing this time around. With new home sales and building permits surging near post-recession highs, there are a few more reasons to think that the economy may indeed rebound yet again this year.

Portfolio Strategy

Short-term rates continued to be well anchored by the Fed's zero interest target rate policy. However, we are preparing for the Fed to eventually lift rates in the second half of 2015. As always, we remain focused on safety, liquidity and then yield.

US Treasury Curve



Source: Bloomberg

Treasury Yields

MATURITY	5/29/15	4/29/15	CHANGE
3 Month	0.000%	0.000%	0.000%
6 Month	0.050%	0.050%	0.000%
1 -Year	0.240%	0.220%	0.020%

Source: Bloomberg

Agency Yields

MATURITY	5/29/15	4/29/15	CHANGE
3 Month	0.050%	0.070%	-0.020%
6 Month	0.090%	0.100%	-0.010%
1 -Year	0.250%	0.250%	0.000%

Source: Bloomberg

Commercial Paper Yields (A-1/P-1)

MATURITY	5/29/15	4/29/15	CHANGE
1 Month	0.140%	0.160%	-0.020%
3 Month	0.230%	0.240%	-0.010%
6 Month	0.360%	0.370%	-0.010%
9 Month	0.540%	0.510%	0.030%

Source: Bloomberg

Current Economic Releases

DATA	PERIOD	VALUE
GDP QoQ	Q1 '15	-0.70%
US Unemployment	Apr '15	5.40%
ISM Manufacturing	Apr '15	51.5
PPI YoY	Apr '15	-4.40%
CPI YoY	Apr '15	-0.20%
Fed Funds Target	Apr 29 '15	0 - 0.25%

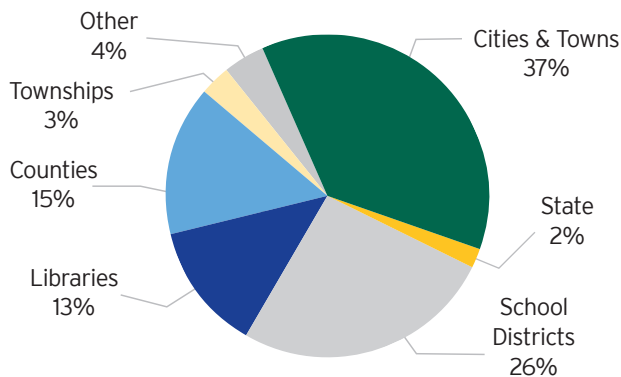
Source: Bloomberg



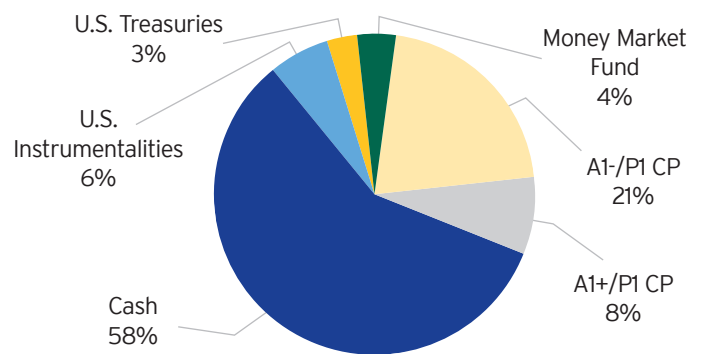
TheFUND

Fund Highlights as of May 31, 2015 (Unaudited)

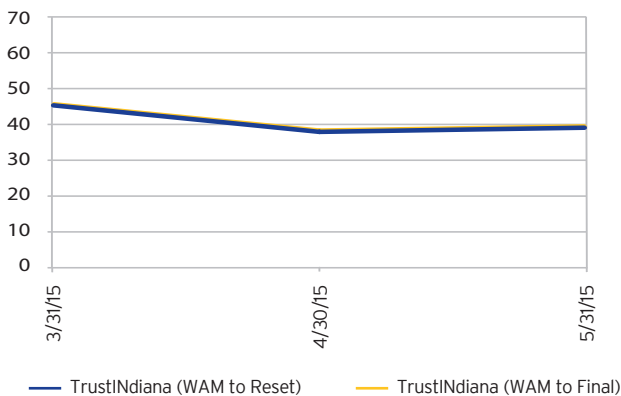
Participant Breakdown



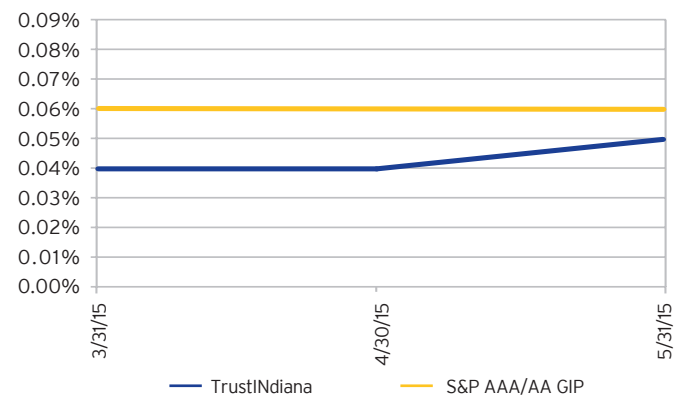
Portfolio Distribution



Weighted Average Maturity



TrustIndiana vs S&P AAA/AA GIP* (30 Day Avg Yields)



	Program Yields**	Month Ending Assets
Mar-15	0.04%	\$427,593,363.14
Apr-15	0.04%	\$419,935,630.61
May-15	0.05%	\$472,991,012.53

** 30 day yield as of the last day of the month

Public Trust Advisors, LLC took over the management and advisory services effective May 1, 2015. All data prior to this date is from the previous Investment Advisor. As both Investment Advisors adhered to the investment policy there may be variances in yield, weighted average maturities and portfolio composition due to differing investment styles.

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*The benchmark, the S&P US AAA & AA Rated GIP All 30 Day Net Yield (LGIP30D) is a performance indicator of rated GIPs that maintain a stable net asset value of \$1.00 per share and is an unmanaged market index representative of the LGIP universe. The S&P benchmark utilized in this comparison is a composite of all rated stable net asset value pools. GIPs in the index include only those rated based on Standard & Poor's money market criteria. Pools rated 'AAAm' provide excellent safety and a superior capacity to maintain principal value while those rated 'AAM' offer very good safety and a strong capacity to maintain principal value (Source: Standard & Poor's website.) The comparison between this index and the portfolio may differ in holdings, duration and percentage composition of each holding. Such differences may account for variances in yield.